




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

MAR 17 2006

**MEMORANDUM**

OFFICE OF  
WATER

SUBJECT: Policy Statement—Extended Financing Terms under the Clean Water Act  
State Revolving Fund Program

FROM: Benjamin H. Grumbles   
Assistant Administrator

TO: Regional Administrators  
Regions I-X

The Clean Water State Revolving Fund (CWSRF), authorized by Title VI of the Clean Water Act (CWA), provides financial assistance to municipalities for the construction of municipal wastewater infrastructure. A question has been raised regarding EPA's interpretation of the CWA with respect to term limits on the purchase or refinance of municipal debt by a State implementing its CWSRF. This memo affirms existing National Program policy on that subject.

Based on my review of the CWA, its legislative history, and EPA regulations, and consistent with the advice of the Office of General Counsel, as set forth in a legal memorandum signed by Ann R. Klee on March 16, 2006 (Extended Financing Terms under the Clean Water State Revolving Fund Provisions of the Clean Water Act), I conclude as a matter of policy that the CWA does allow a State managing the CWSRF to purchase new municipal debt obligations, i.e., bonds or notes issued simultaneously with the release of CWSRF funds, as well as to purchase pre-existing debt obligations pursuant to the provisions of Section 603(d)(2) of the Act. The plain language of the Statute does not impose a 20-year repayment obligation on funds made available pursuant to Section 603(d)(2).

The CWSRF, implemented by the States in consultation with Regional partners, continues to perform well, in part because of the emphasis on flexibility and leveraging. The financial capability of the CWSRF, currently in excess of \$55 billion, is a key element in our strategy for addressing the sustainable infrastructure challenge. The flexibility afforded by continuing the existing Policy will make CWSRF assistance more affordable in many financially disadvantaged communities across the country. We will follow-up through the State-EPA Workgroup in the near future to work towards finalizing guidance on this subject.

If you have any questions, please contact James A. Hanlon, Director, Office of Wastewater Management, at (202)564-0748.